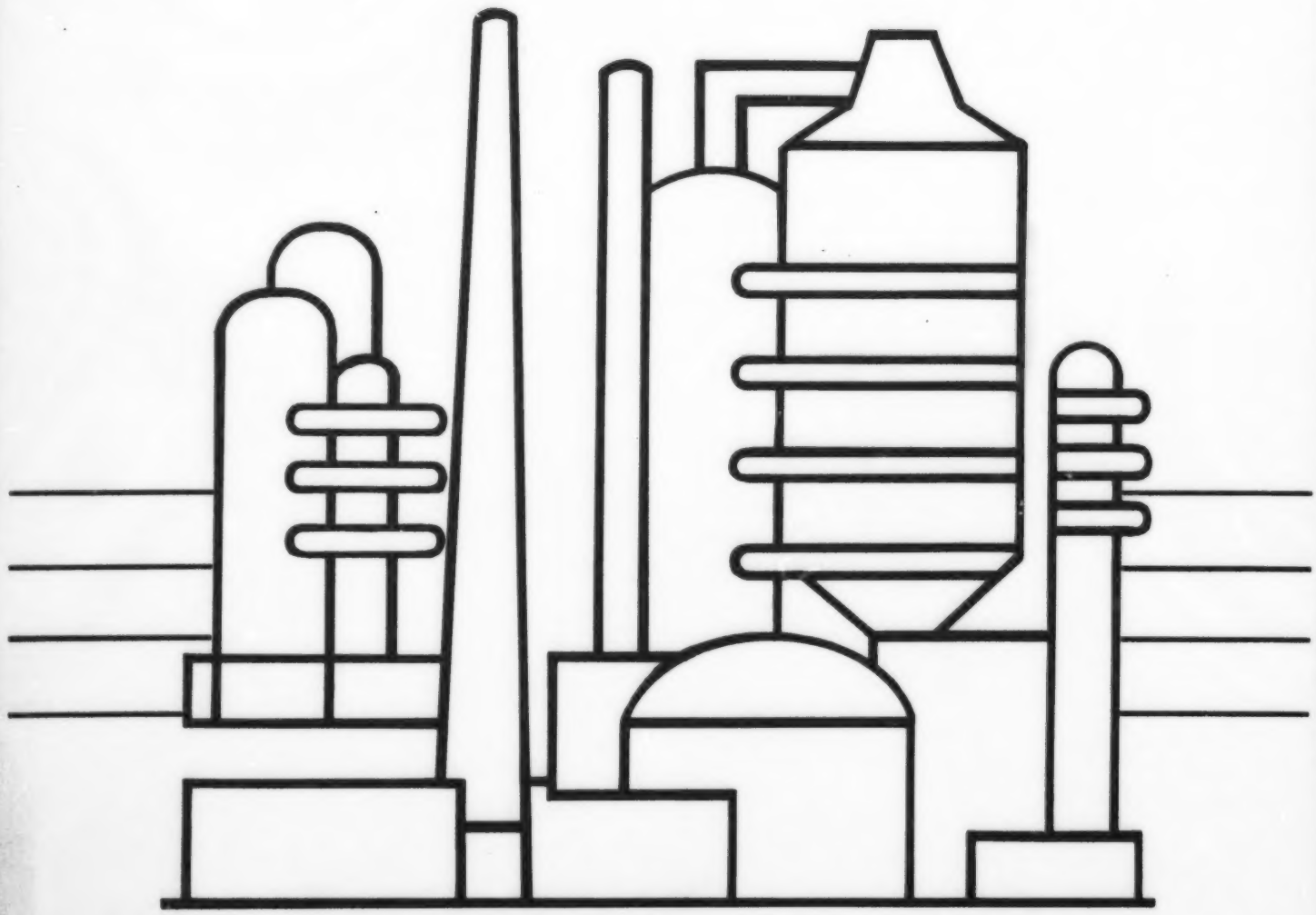
Lloydminster

UPGRADER



Canada

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BROCHURE ON LLOYDMINSTER

UPGRADER

WHAT?

WHO?

WHY?

HOW?

WHERE?

WHAT?

-- The governments of Canada, Alberta and Saskatchewan, together with Husky Oil Operations Limited of Calgary, have jointly agreed to construct a crude oil upgrader near Lloydminster on the Alberta-Saskatchewan border.

-- Construction of the facility, which will cost $1.267 billion, will begin in late 1988 and be completed in 1992.

-- The upgrader will use western Canada's abundant supplies of heavy oil and bitumen crude and convert them into synthetic crude oil, which will then be transferred to refineries to be transformed into usable petroleum products.

-- The upgrader will be capable of producing about 46 000 barrels of synthetic crude oil per day when it is operational.

-- About 5 800 person-years* of employment will be created during the four-year development (construction) phase.

-- About 330 permanent jobs will be created at the facility when it is completed and operating, in 1992.

-- Up to 1 500 permanent jobs are also expected to be created to recover the crude oil (principally from reservoirs at Cold Lake and Lloydminster) for delivery to the plant.

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* A person-year is defined as a period worked by a person if he or she was employed full-time for an entire year. It can also mean an equivalent; e.g. two persons working six months each, or three persons working four months each.

-- The project will also generate many indirect jobs across Canada.
-- The long-awaited announcement is expected to provide a major economic boost to the heavy-oil producing areas in Alberta and Saskatchewan, and will have a positive economic benefit for other regions across the country.
-- All precautions have been taken to ensure that the project fully respects environmental and safety standards.

WHO?

-- The Government of Canada will contribute 31.67 per cent toward the development (construction) phase of the project.
-- Husky Oil Operations Limited will contribute 26.67 per cent.
-- Husky Oil has already invested about $100 million to finance site acquisition, planning and preliminary work on the project.
-- The Government of Alberta will be responsible for 24.17 per cent of the financing.
-- The Government of Saskatchewan will contribute 17.5 per cent.

WHY?

-- Conventional oil reserves have been declining since the 1970s in western Canada, which has always been our country's major domestic source of petroleum supplies. Because of this decline, Canada has had to seek out new sources in other places, other ways.

-- The upgrader is equivalent to a significant new source of light oil supply for Canadian markets.

-- The project is consistent with the Government of Canada's policy of exploiting our non-conventional petroleum sources, such as heavy oil and the tar sands (both found in western Canada), and the offshore (e.g. the Hibernia development in Newfoundland).

-- By building the upgrader, Canada will have a larger volume of light synthetic oil that can be processed by Canadian refineries. This will create more jobs and economic opportunities in this country.

-- The Lloydminster project will help ensure a stable market for both Alberta and Saskatchewan heavy oil, and increase the stability of the oil industry in both provinces.

-- The jobs, investments and spinoffs created by the Lloydminster upgrader will provide many new opportunities for the people of Alberta and Saskatchewan.

-- Benefits will be felt in spinoffs through secondary industries in many parts of Canada. Businesses such as equipment manufacturers, oilfield service firms, and suppliers of various kinds will all benefit.

HOW?

-- Negotiations on the Lloydminster upgrader began with Husky Oil Operations Limited back in September 1982.

-- In 1984, an agreement was reached on a similar project which included field development in Saskatchewan, and a Memorandum of Understanding (MOU) was

signed by the Governments of Canada, Alberta and Saskatchewan and Husky Oil Operations Limited. Although never brought to fruition, the MOU prepared the way for the present agreement.

-- In early 1986, the three levels of government and Husky Oil Operations Limited signed the Bi-Provincial Upgrader Project Agreement, under which Husky Oil agreed to proceed with pre-construction engineering (valued at close to $90 million) on the upgrader.

-- The 1986 agreement also covered such considerations as taxes, royalties, ways of completing the project that were agreeable to all, and the basis of participation by the parties involved.

-- In September 1988, the governments of Canada, Alberta and Saskatchewan and Husky Oil signed an agreement to build the upgrader near Lloydminster.

-- The feedstock that will be used in the upgrader will come from a number of sources: from the heavy oil fields of Saskatchewan and Alberta (a total of about 40 000 barrels a day), from Husky's existing asphalt refinery at Lloydminster, Alta. (6 000 barrels a day), and from natural gas fields in Alberta and Saskatchewan (36 000 million cubic feet a day).

WHERE ?

-- The upgrader will be located on 160 hectares of land three kilometres southeast of Lloydminster, Saskatchewan, and about six kilometres from the Alberta border. The tract of land is owned by Husky Oil Limited.

-- The administrative, planning and logistics base of operations for the upgrader will be located in Lloydminster, Saskatchewan.

-- The crude oil processed by the upgrader is expected to be delivered to refineries in Sarnia, Ontario and Montreal, Quebec, where it will be transformed into usable petroleum products.